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<b>14. ABSTRACT</b> In recent years, the availability of attractive employment opportunities has made it more difficult for many organizations to attract and retain highly qualified individuals. Thus, recruitment and retention are two of the most important issues facing organizations today. This research seeks to better understand the role that psychological contracts play in recruitment and retention. Specifically, this report details the results of three independent data collections. The first data collection examines the role of psychological contracts in recruitment and retention using a sample of recent college graduates and tracking them over the first 18 months of their careers. This project is ongoing. The second data collection examines the antecedents and consequences of psychological contract breach among 237 individuals working in a variety of organizations. Specifically, this study investigates individual differences, two forms of relationship quality, and supervisor-subordinate relational demography as antecedents of psychological contract breach. In addition, it also examines the effects of psychological contract breach on employee performance. The third data collection examines the effects of psychological contract breach on multiple forms of commitment using a sample of 107 union members. This study suggests that while psychological contract breach may damage the employment relationship, it may simultaneously strengthen the bonds between employees and their union.			
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## FINAL TECHNICAL REPORT

GRANT #: N00014-01-1-0917

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INSTITUTION: Kansas State University

GRANT TITLE: The Role of Psychological Contracts in Recruitment and Retention

AWARD PERIOD: 1 June 2001 – 30 September 2002

### OBJECTIVE:

The availability of attractive alternative employment opportunities has made it more difficult for the Navy (and many other organizations) to attract and retain highly qualified individuals. Thus, recruitment and retention are two of the most pressing personnel issues facing organizations today. This research seeks to better understand the role that psychological contracts play in recruitment and retention.

Psychological contracts are comprised of employees' beliefs regarding the terms and conditions of the exchange agreement between themselves and their organizations. As such, psychological contracts define what individuals expect to receive from their organization and what they perceive they are obligated to provide to their organization in return. Psychological contract breach occurs when individuals perceive that they have received less than their organization promised or committed to provide them. This research examines how psychological contracts develop during the recruitment process and the antecedents and consequences of psychological contract breach in organizations.

At the general level, this project has several objectives. First, this study will focus on the development of the psychological contract during recruitment. Second, this study will examine the extent to which applicants distort information about themselves during the recruitment process and the consequences of such distortions. Third, this study will examine the antecedents of psychological contract breach in organizations. Fourth, this study will examine how the accuracy of the information provided in the recruitment process impacts employee commitment, motivation, and work behavior. Fifth, and finally, this study will also assess how the attributions that individuals make when their psychological contracts are breached impact their reactions to such occurrences.

At a more specific level, several independent data collections were supported by this grant in order to examine the issues identified above. In particular, three distinct projects have been undertaken. First, using a sample of recent college graduates, one project examined the development of psychological contracts during recruitment and the fulfillment of psychological contract obligations during the first year and a half of employment. Second, this grant also supported the collection of data for a PhD dissertation examining the antecedents and consequences of psychological contract breach. Third, a smaller-scale study examined the relationship between psychological contract breach and multiple forms of commitment using a sample of unionized employees. The specific objectives of each of these projects are discussed below.

### Recent College Graduates Sample

One of the projects supported by this grant examines the development and fulfillment of the psychological contract using a sample of recent college graduates. This research attempts to extend prior research on the role of psychological contracts in recruitment and retention in four ways. First, this study examines how the psychological contract is formed during recruitment – whom applicants receive information from and how they interpret this information. Second, this study assesses the extent to which applicants distort information about themselves during recruitment and the consequences of such distortions for person-job and person-organization fit. Third, this study examines how the accuracy of the information provided in the recruitment process impacts employee commitment, motivation, and turnover during the first year and a

half of employment. Fourth, this study assesses how the attributions that individuals make when their psychological contracts are breached influence their reactions to such occurrences.

#### Dissertation Study of the Antecedents and Consequences of Psychological Contract Breach

This grant also provided support for the dissertation of Mark M. Suazo, Ph.D. student in business at the University of Kansas. (I was co-chair of his dissertation committee.) This dissertation extended prior research on psychological contracts in three important ways. First, this study investigated several antecedents of psychological contract breach that have not been examined in prior research. Specifically, this research investigated affective disposition and equity sensitivity (individual differences), perceived organizational support and leader-member exchange (indicators of relationship quality), and supervisor-subordinate demographic similarity (in terms of gender and race) as antecedents of psychological contract breach. Second, this dissertation examined whether psychological contract breach has an effect on several indicators of employee performance. In particular, the relationship between psychological contract breach and both in-role and extra-role performance were analyzed. Third, and finally, this dissertation examined psychological contract breach among a racially diverse sample of respondents. Most prior studies of psychological contracts have utilized racially homogeneous samples (i.e., samples comprised primarily of White-American individuals). This dissertation extends prior research by investigating the antecedents and consequences of psychological contract breach in a sample made up primarily of African-American and Hispanic-American individuals.

#### Union Sample

A smaller-scale study of the impact of psychological contract breach on multiple forms of commitment was undertaken using a sample of unionized employees. Previous research has found that psychological contract breach is associated with lower levels of organizational commitment. However, prior research has not examined how psychological contract breach effects other forms of commitment, such as commitment to a union. In addition, this research analyzed how employee perceptions of union instrumentality -- the extent to which the union is seen as powerful -- might influence the relationship between psychological contract breach and union commitment. In particular, employees who feel their unions are ineffective may not feel any greater allegiance to them even when they feel betrayed by their organizations.

#### APPROACH:

##### Recent College Graduates Sample

This is a longitudinal study of psychological contract development and breach over the first year and a half of employment. Specifically, data are being collected at two points in time. Initially (i.e., at Time 1), individuals were surveyed immediately prior to their graduation. At this point, most students have accepted an offer of employment, but have not yet joined the organization they will work for upon graduation. This initial survey collected information about the promises made by organizational representatives during the recruitment process. In addition, information was gathered on how these commitments were communicated (e.g., by recruiters, by human resource specialists, by the supervisor to whom the individual would report, through organizational literature and advertisements, etc.). Information was also collected on the individuals' work histories and job options. Finally, initial data were collected on the extent to which the individuals distorted information about themselves during the recruitment process through the use of impression management. Time 2 data collection is currently ongoing. At Time 2 (approximately 18 months after graduation), data is being collected on the extent to which organizations have lived up to their commitments, on the extent of person-job and person-organization fit, and on individuals' commitment to their organization and their work behaviors. In addition, Time 2 surveys also assess the attributions that individuals make in those instances when the organization fails to live up to its commitments.

##### Dissertation Study of the Antecedents and Consequences of Psychological Contract Breach

The antecedents and consequences of psychological contract breach were examined using data obtained from 237 individuals working in a variety of organizations. In contrast to the samples used in prior

research on psychological contracts, the vast majority (84%) of participants in this study were either African-American or Hispanic-American. To examine the antecedents of psychological contract breach, data were collected on individual differences (i.e., equity sensitivity, affectivity), measures of relationship quality (i.e., leader-member exchange, perceived organizational support), and demographic differences (i.e., gender, race) between individuals and their immediate supervisors. In addition, data were also collected on the extent to which the individuals' psychological contracts had been breached. Finally, in order to examine the consequences of psychological contract breach, data were collected on the individuals' in-role and extra-role behaviors at work.

#### Union Sample

In this study, data were collected from 107 members of two different unions. Specifically, data were collected on the extent to which individuals' psychological contracts had been breached and the extent to which the individuals were committed to the organization and to the union. In addition, data were also collected on several variables that might moderate these relationships (e.g., procedural justice, union instrumentality).

#### ACCOMPLISHMENTS:

##### Recent College Graduates Sample

Time 1 data were collected from approximately 294 individuals. However, 45% of those individuals either had not accepted a job at the time of graduation or were planning to go on to graduate school. Thus, complete Time 1 data is available for 163 individuals. This preliminary data has been analyzed. In addition, Spring 2001 graduates have been on their jobs approximately 18 months. Thus, Time 2 data collection is scheduled to begin in January 2003.

##### Dissertation Study of the Antecedents and Consequences of Psychological Contract Breach

Data were collected from 237 individuals working in a variety of organizations. This data has been analyzed. The dissertation was completed and successfully defended in 2002.

One article is being prepared for submission to the National Academy of Management Meetings from this data. Once initial feedback is received, revisions will be made and the article will be submitted to a journal. Additional articles are also expected from this data.

#### Union Sample

Data has been collected and analyzed. An article has been prepared from this research for submission to the National Academy of Management Meetings. After receiving initial feedback on this manuscript, it will be revised and prepared for submission to a journal.

#### CONCLUSIONS:

##### Recent College Graduates Sample

As mentioned above, this is a longitudinal study which requires data to be collected over a period of a year and a half (for each graduating class being surveyed). As a result, only the preliminary (Time 1) data collection is complete. However, this initial data contains some interesting information. Specifically, supervisors to whom the individuals would report played the biggest role in communicating the commitments which comprise individuals' psychological contracts, recruiters played the second biggest role in communicating those commitments, and the information provided by others sources (e.g., handbooks, advertisements, other employees) played a much smaller role in communicating those commitments. In addition, individuals were more likely to distort information about their interest in working for a particular organization than they were to distort information about their skills and qualifications. Moreover, there is some preliminary evidence that such distortions lead to poorer person-

organization and person-job fit. However, the Time 2 data collection must be completed before most of the hypotheses to be tested with this data can be examined.

#### Dissertation Study of the Antecedents and Consequences of Psychological Contract Breach

The results suggest that several individual difference variables were significantly associated with the perception of psychological contract breach. Specifically, the more "entitled" the individual was (in terms of equity sensitivity) and the greater the individual's negative affectivity, the more likely the individual was to perceive psychological contract breach. In addition, the results suggest that the quality of the employee's relationship with his/her organization and the quality of the employee's relationship with his/her supervisor were significantly related to psychological contract breach. In particular, the greater the extent of perceived organizational support and the greater the extent of leader-member exchange, the less the psychological contract breach experienced by the individual. Finally, the results suggest the psychological contract breach has a negative relationship with both in-role and extra-role performance. That is, the extent of psychological contract breach was negatively related to in-role performance behaviors, helping behaviors, and voice behaviors.

#### Union Sample

Consistent with prior research, psychological contract breach was found to be negatively related to affective organizational commitment. However, psychological contract breach was positively related to union commitment. The results also indicate that union instrumentality moderates the relationship between psychological contract breach and union commitment. Specifically, the findings suggest that the relationship between psychological contract breach and union commitment is stronger when employees see their unions as instrumental.

#### SIGNIFICANCE:

##### Recent College Graduates Sample

Very little research has tracked the development and fulfillment of the psychological contract over time. Thus, longitudinal studies are needed in this area. When completed, this study may be able to provide further insight into several areas that are important in terms of recruitment and retention. First, this study may help organizations to better understand the extent to which individuals attempt to manage impressions in the recruitment process by portraying themselves and their interest in the organization in an overly positive light. If recruiters are aware of the areas in which applicants are most likely to distort information about themselves, they may be able to find ways to elicit more reliable information. Second, this study will also examine which types of promises recently hired individuals are most likely to perceive that their organizations have failed to fulfill. This type of information may be useful by helping to highlight those areas of the psychological contract that organizations need to pay particular attention to. Third, and finally, this research will examine how the attributions that individuals make when they receive less than promised impact how they interpret and respond to instances of psychological contract breach. Currently, relatively little is known about how the "social accounts" organizations use to justify why the psychological contract was breached impact employee's interpretations of or reactions to organizational change. However, it may be that the explanations that organizations provide as to why they cannot fulfill the psychological contract help to mitigate against the severest forms of negative response. Such information may lead to a better understanding of how organizations can best communicate the reasons for changes – especially when changes have negative implications for individuals.

#### Dissertation Study of the Antecedents and Consequences of Psychological Contract Breach

There are three primary ways in which this study makes a significant contribution to our understanding of psychological contracts. First, this is among the first research that has investigated the antecedents of psychological contract breach. The findings suggest that individual differences are important predictors of the extent of psychological contract breach. In addition, this research highlights the importance of the relationship between an individual and his/her immediate supervisor in terms of managing perceptions of



the psychological contract. Second, this research replicates and extends prior research on the negative consequences of psychological contract breach. Specifically, psychological contract breach was negatively related to the performance of both in-role and extra-role employee behaviors. Thus, receiving less than promised results in more than just hurt feelings, job dissatisfaction, and increased willingness to turnover among employees. Psychological contract breach also results in poorer performance among those employees who remain in the organization and, thus, may hurt organizational performance as well. Finally, this study was also the first to examine psychological contract breach among a sample made up primarily of African-American and Hispanic-American individuals.

#### Union Sample

As expected, this study replicates prior research that indicates that psychological contract breach has a harmful effect on the relationship between individuals and their organizations. Specifically, this research suggests that psychological contract breach is negatively related to organizational commitment. However, this research also investigates the relationship with psychological contract breach and commitment to a union. The results suggest that while psychological contract breach drives individuals away from their organization, it simultaneously increases commitment to the union (and perhaps to other employees in the organization). Thus, this study suggests that while psychological contract breach may damage the employment relationship, it may help strengthen relationships among employees as they band together in an effort to oppose the actions taken by the organization.

PATENT INFORMATION: Not applicable.

AWARD INFORMATION: (1) College of Business Administration Award for Outstanding Contributions in Research, 2002. (2) Promoted to Associate Professor with tenure in the College of Business Administration, 2002. (3) Mark M. Suazo successfully defended his dissertation and graduated with a PhD in Organizational Behavior from the University of Kansas.

#### REFEREED PUBLICATIONS:

The projects supported by this grant all required the collection of new data. As a result, no publications have been accepted to date. However, I expect that several peer-reviewed (refereed) publications will result from this research.

#### BOOK CHAPTERS, SUBMISSIONS, ABSTRACTS AND OTHER PUBLICATIONS:

Turnley, W.H., Lester, S.W., Bolino, M.C., & Bloodgood, J.M. "Taking Sides: The effects of psychological contract breach on organizational and union commitment." Paper being prepared for submission to the national Academy of Management meetings.

Suazo, M., & Turnley, W.H. "Antecedents of psychological contract breach." Paper being prepared for submission to national Academy of Management meetings.

Suazo, M. An Examination of Antecedents and Consequences of Psychological Contract Breach. PhD Dissertation, University of Kansas.

Additional articles will be prepared from the data collections discussed above.